

Memorandum

To: CHAIR AND COMMISSIONERS

Meeting Date: February 25-26, 2004

Reference No.: 3.7
Information Item

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Ref: **INFORMATION REGARDING INTERCITY RAIL REAL COSTS TO
OPERATE**

At its October and December 2003 meetings, the California Transportation Commission (Commission) requested the California Department of Transportation (Department) advise the Commission what the intercity rail farebox ratios would be if they included additional items of expense.

Attachment 1 reflects the Department's farebox ratio calculation for each State-funded intercity rail route for the last five years. This attachment also provides three alternative calculations that include administrative and marketing expenses, amortized State-funded capital costs, as well as amortized capital costs from all sources. The Department's calculation of farebox ratios (as shown in the first set of calculations at the top of the page) is based on operating costs, but does not include amortized capital costs for track and signal work, major maintenance and rehabilitation, purchase of equipment and construction or rehabilitation of stations.

To provide the Commission with the quick approximation of the impact on the farebox ratio if capital costs were included, we have recalculated the farebox ratios for the last five years to include such costs. To do so, we have used the assumption that all capital projects are amortized over a 40-year useful life, with one-fortieth of total project costs charged to each year of project life. The 40-year period may be too short for some projects (such as station improvements) and too long for others (such as rolling stock). If a 20-year period were to be used, the farebox ratios would decline significantly.

Attachment 2 summarizes the provisions of the Uniform System of Accounts (USOA) of the Federal Transit Administration that define rehabilitation and remanufacture of

rolling stock as capital costs. Also mentioned are the State Controller's USOA for Public Transit Operators which defines capital assets as having a service life of greater than one year (as is the case with rolling stock rehabilitation). The Controller's USOA also refers to Public Utilities Code sections which define the farebox recovery ratio as the ratio of fare revenues to operating costs, excluding costs which are in the depreciation and amortization expense object classes.

Attachments

Calculation of Farebox Ratio for Intercity Rail Service in California

| | 1998-99 | 1999-00 | 2000-01 | 2001-02 | 2002-03 |
|--|--------------|--------------|--------------|--------------|--------------|
| Farebox Recovery - Does not include Administrative and Marketing Expenses | | | | | |
| System | 39.8% | 42.6% | 46.8% | 45.0% | 43.0% |
| Pacific Surfliner | 40.6% | 47.7% | 53.5% | 53.1% | 52.6% |
| San Joaquin | 44.3% | 43.2% | 45.3% | 43.3% | 40.2% |
| Capitol Corridor | 31.1% | 34.1% | 40.1% | 37.7% | 35.5% |

| | 1998-99 | 1999-00 | 2000-01 | 2001-02 | 2002-03 |
|--|--------------|--------------|--------------|--------------|--------------|
| Farebox Recovery - Includes Administrative and Marketing Expenses | | | | | |
| System | 37.1% | 39.3% | 43.2% | 41.7% | 40.1% |
| Pacific Surfliner | 37.7% | 43.3% | 48.5% | 48.3% | 48.2% |
| San Joaquin | 41.9% | 40.7% | 42.7% | 40.7% | 38.1% |
| Capitol Corridor | 28.3% | 31.1% | 36.8% | 34.9% | 33.1% |

| | 1998-99 | 1999-00 | 2000-01 | 2001-02 | 2002-03 |
|---|--------------|--------------|--------------|--------------|--------------|
| Farebox Recovery - Includes Administrative and Marketing Expenses and Amortized State-only Capital Costs | | | | | |
| System | 30.0% | 32.1% | 35.6% | 34.8% | 33.9% |
| Pacific Surfliner | 29.6% | 33.6% | 37.9% | 38.0% | 38.4% |
| San Joaquin | 34.7% | 34.3% | 36.2% | 34.9% | 33.0% |
| Capitol Corridor | 23.3% | 26.2% | 31.3% | 30.4% | 29.1% |

| | 1998-99 | 1999-00 | 2000-01 | 2001-02 | 2002-03 |
|--|--------------|--------------|--------------|--------------|--------------|
| Farebox Recovery - Includes Administrative and Marketing Expenses and Total Amortized Capital Costs | | | | | |
| System | 23.0% | 24.8% | 27.8% | 27.5% | 27.1% |
| Pacific Surfliner | 20.6% | 23.1% | 26.1% | 26.4% | 27.1% |
| San Joaquin | 28.4% | 28.7% | 30.4% | 29.6% | 28.2% |
| Capitol Corridor | 19.4% | 22.1% | 26.7% | 26.4% | 25.5% |

**Federal Transit Administration
Uniform System of Accounts (USOA) of the
National Transit Database**

Section 3. Capital Definitions

1. Capital purchases are long-term assets that are depreciated over a number of years.
2. Uses of capital funding (rolling stock): include funds expended on a contractor for the **rehabilitation** or **remanufacture** of revenue service vehicles, and acquisition of major components for use in **rehabilitation** or **remanufacture** of revenue vehicles.
3. **Rehabilitation**: Rebuilding of revenue vehicle rolling stock to original specifications of the manufacturer.
4. **Remanufacture**: The structural restoration of revenue service rolling stock in addition to installation of new or rebuilt major components to extend service life.

**State of California
State Controller's Uniform System of Accounts for
Public Transit Operators**

**Fixed Assets
Tangible Transit Operating Property**

**Section 5202: Description of Accounts
(Categories 111.001 & 111.002)**

1. These categories cover fixed assets purchased with operating funds and capital grant funds having an expected service life greater than one year at the time of its installation and a unit cost greater than the operator's capitalization cutoff.
2. Transit operating property is that property used in providing urban mass transit services and includes rolling stock.

Public Transit Operators General

**Section 5109: Farebox Recovery Ratio
(Public Utilities Code 99247, 99268.16, and 99268.17)**

1. Farebox recovery ratio is the ratio of fare revenues to operating costs.
2. Operating costs used for computing this ratio are all costs in the operating expense object classes less the cost in the depreciation and amortization expense object classes.

Note: The above text is paraphrased from the documents cited